

Message Text

UNCLASSIFIED

PAGE 01 SANTIA 04485 141452Z

ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 OPR-02 ABF-01 AGRE-00 DODE-00 PM-05 H-02

L-03 PA-02 /120 W

-----053133 151056Z /14

R 132053Z JUN 78

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9520

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMEMBASSY LA PAZ

AMEMBASSY LIMA

UNCLAS SANTIAGO 4485

E.O. 11652: N/A

TAGS: EFIN, AFIN, ALOW, CI

SUBJECT: MAY INFLATION, MONEY SUPPLY AND IMPORT REGISTRATION
TRENDS

1. THE CHILEAN CONSUMER PRICE (CPI) ROSE 2.1 PERCENT IN
MAY. INFLATION THUS FAR DURING 1978 TOTALS 12.5 PERCENT. THIS
FIGURE COMPARES FAVORABLY WITH THE 29.3 PERCENT FOR THE SAME
PERIOD IN 1977.

2. INCREASES BY MAJOR SPENDING CATEGORIES WERE: FOOD 1.9 PER-
CENT; HOUSING 2.2 PERCENT; CLOTHING 4.5 PERCENT AND MISCEL-
LANEOUS 0.9 PERCENT.

3. INFLATION OVER 12 MONTH PERIOD NOW STANDS AT 42.2 PERCENT.
A LINEAR TREND STARTING FROM JUNE 1977 THROUGH MAY 1978
INDICATES A POSSIBLE 1978 INFLATION RATE OF 32.4 PERCENT.
IT HAS BEEN PREVIOUSLY REPORTED THAT IN EARLY 1978 THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SANTIA 04485 141452Z

GOC DETERMINED AN EXCHANGE RATE SCHEDULE FOR THE WHOLE
YEAR WHICH INCLUDED AN INCREASE OF 21.4 PERCENT IN THE
PESO PRICE OF THE DOLLAR, IN ORDER TO SET INFLATIONARY
EXPECTATIONS AT AROUND THAT LEVEL. IT IS INTERESTING TO
NOTE THAT THUS FAR IN 1978, THE PRICE OF THE DOLLAR HAS
INCREASED BY 13.5 PERCENT WHILE THE CPI HAS GROWN BY ONLY
12.5 PERCENT. THIS SEEMS TO HAVE STRENGTHENED THE GOC'S

CONFIDENCE IN REACHING THE GOAL OF AN INFLATION RATE
AROUND 25 PERCENT FOR 1978.

4. MONEY SUPPLY (M1): PRELIMINARY FIGURES FOR MAY SHOW
A 0.2 PERCENT DECREASE OVER THAT OF APRIL. EXPANSION FOR
M1 THUS FAR IN 1978 TOTALS 34.7 PERCENT. THIS FIGURE
REPRESENTS A REAL MONETARY EXPANSION OF 19.7 PERCENT.
DESPITE THIS EXPANSION THE SCARCITY OF LOANABLE FUNDS
CONTINUES AND IS REFLECTED IN THE SIGNIFICANT RISE (2 TO 3
PERCENTAGE POINTS) IN THE LEVEL OF INTEREST RATES DURING MAY.
IN ORDER TO EASE THIS SITUATION, THE CENTRAL BANK DECREED,
IN EARLY JUNE, A REDUCTION OF LEGAL RESERVE REQUIREMENTS
(LRR) ON SIGHT DEPOSITS, FROM 50 TO 45 PERCENT. THE CENTRAL
BANK HAS BEEN URGED TO APPLY A MORE EXPANSIONIST MONETARY
POLICY BY BUSINESS AS WELL AS THE ACADEMIC SECTOR. THE
LAST REDUCTION IN THE LRR WAS THE RESULT OF THE SAME
PRESSURES, ALTHOUGH THE OBJECTIVES AT THAT TIME WERE MORE
DIRECTED TOWARDS INCREASING THE GOC'S TARGET OF A 50 PER-
CENT GROWTH IN REAL MONEY SUPPLY FOR 1978.

5. IMPORT REGISTRATIONS: IMPORTS IN MAY WERE VALUED AT
US\$ 268 MILLION. THE FIGURE FOR THE PERIOD JANUARY-MAY
1978 SHOWS AN INCREASE OF 24 PERCENT OVER THE SAME PERIOD
LAST YEAR.
LANDAU

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, IMPORTS, ECONOMIC DATA, MONEY SUPPLY, TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANTIA04485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780250-0145
Format: TEL
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780665/aaaacdsj.tel
Line Count: 86
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 934e498a-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2372080
Secure: OPEN
Status: NATIVE
Subject: MAY INFLATION, MONEY SUPPLY AND IMPORT REGISTRATION TRENDS
TAGS: EFIN, AFIN, ALOW, ECON, CI
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/934e498a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014